

NOTICE OF CONFIDENTIALITY RIGHTS: IF YOU ARE A NATURAL PERSON, YOU MAY REMOVE OR STRIKE ANY OR ALL OF THE FOLLOWING INFORMATION FROM ANY INSTRUMENT THAT TRANSFERS AN INTEREST IN REAL PROPERTY BEFORE IT IS FILED FOR RECORD IN THE PUBLIC RECORDS: YOUR SOCIAL SECURITY NUMBER OR YOUR DRIVER'S LICENSE NUMBER.

Producers 88 (4-89) — Paid-Up With 640 Acres Pooling Provision

PAID-UP OIL AND GAS LEASE (No Surface Use)

THIS LEASE AGREEMENT is made this 15th day of August, 2010, by and between Kozamesa, Inc., whose address is PO Box 50593, Denton Tx 76206-0593, as Lessor, and CHESAPEAKE EXPLORATION, L.L.C., an Oklahoma limited liability company, whose address is P.O. Box 18496, Oklahoma City, Oklahoma 73154-0496, as Lessoe. All printed portions of this lease were prepared by the party hereinabove named as Lessee, but all other provisions (including the completion of blank spaces) were prepared jointly by Lessor and Lessoe.

1. In consideration of a cash bonus in hand paid and the covenants herein contained, Lessor hereby grants, leases and lets exclusively to Lessee the following described land, hereinafter

Tract 1: Being all those certain Lots 2-7, Block 12R of the Highland Addition located in the City of Lake Worth, Tarrant County, Texas and being more particularly described in that certain Deed of Record in Volume 9368, Page 1992 of the Deed Records of Tarrant County, Texas #07141157, including all streets, alleys, right of ways, gores and strips of land adjacent and contiguous hereto and made a part hereof.

in the County of <u>TARRANT</u>. State of <u>TEXAS</u>, containing <u>2.1094</u> gross acres, more or less (including any interests therein which Lessor may hereafter acquire by reversion, prescription or otherwise), for the purpose of exploring for, developing, producing and marketing oil and gas, along with all hydrocarbon and non hydrocarbon substances produced in association therewith (including geophysical/seismic operations). The term "gas" as used herein includes helium, carbon dioxide and other commercial gases, as well as hydrocarbon gases. In addition to the above-described leased premises, this lease also covers accretions and any small strips or parcels of land now or hereafter owned by Lessor which are contiguous or adjacent to the above-described leased premises, and, in consideration of the aforementioned cash bonus, Lessor agrees to execute at Lessee's request any additional or supplemental instruments for a more complete or accurate description of the land so covered. For the purpose of determining the amount of any shut-in royalties hereunder, the number of gross acres above specified shall be deemed correct,

- 2. This lease, which is a "paid-up" lease requiring no rentals, shall be in force for a primary term of 2 (Two) year from the date hereof, and for as long thereafter as oil or gas or other substances covered hereby are produced in paying quantities from the leased premises or from lands pooled therewith or this lease is otherwise maintained in effect pursuant to the provisions hereof. Option: Lessee shall have the right to extend the primary term of this lease for an additional 1 (One) year period by paying the Lessor the equivalent of ½ the lease bonus contained
- 3. Royalties on oil, gas and other substances produced and saved hereunder shall be paid by Lessee to Lessor as follows: (a) For oil and other liquid hydrocarbons separated at Lessee's separator facilities, the royalty shall be twenty-five (25%) of such production, to be delivered at Lessee's option to Lessor at the wellhead or to Lessor's credit at the oil purchaser's transportation facilities, provided that Lessee shall have the continuing right to purchase such production at the wellhead market price then prevailing in the same field, then in the nearest field in which there is such a prevailing price) for production of similar grade and gravity; (b) for gas (including casing head gas) and all other substances covered hereby, the royalty shall be twenty-five (25%) of the processing or otherwise marketing such gas or other substances, provided that Lessee shall have the continuing right to purchase such production, severance, or other excise taxes and the costs incurred by Lessee in delivering, processing or otherwise marketing such gas or other substances, provided that Lessee shall have the continuing right to purchase such production at the prevailing wellhead market price paid for production of similar quality in the same field (or if there is no such price then prevailing in the same field, then in the nearest field in which there is such a prevailing price) pursuant to comparable purchase contracts entered into on the same or nearest preceding date as the date on which Lessee commences its purchases hereunder, and (c) if at the end of the primary term or any time thereafter one or more wells on the leased premises or lands pooled therewith are capable of either producing oil or gas or other substances covered hereby in paying quantities or such wells are waiting on hydraulic fracture stimulation, but such well or wells are either shut-in or production therefrom is not being sold by Lessee, such well or wells shall nevertheless be deemed to be producing in paying quantities for the purpose of maintaining
- the depository should liquidate or be succeeded by another institution, or for any reason fail or refuse to accept payment hereunder, Lessor shall, at Lessee's request, deliver to Lessee a proper recordable instrument naming another institution as depository agent to receive payments.

 5. Except as provided for in Paragraph 3. above, if Lessee drills a well which is incapable of producing in paying quantities (hereinafter called "dry hole") on the leased premises or lands pooled therewith, or if all production (whether or not in paying quantities) permanently ceases from any cause, including a revision of unit boundaries pursuant to the provisions of Paragraph 6 or the action of any governmental authority, then in the event this lease is not otherwise being maintained in force it shall nevertheless remain in force if Lessee completion of operations on such dry hole or within 90 days after such cessation of all production. If at the end of the primary term, or at any time thereafter, this lease is not otherwise being maintained in force but Lessee is then engaged in drilling, reworking or any other operations reasonably calculated to obtain or restore production therefrom, this lease shall remain in force so long as any one or more of such operations are prosecuted with no cessation of more than 90 consecutive days, and if any such operations result in the production of oil or gas or other substances covered hereby, as long thereafter as there is production in paying quantities from the leased premises or lands pooled therewith. After completion of a well capable of producing in paying quantities hereunder, Lessee shall drill such additional wells on the leased premises or lands pooled therewith. There shall be no covenant to drill exploratory wells or any additional wells except as expressly provided herein.
- 6. Lessee shall have the right but not the obligation to pool all or any part of the leased premises or interest therein with any other lands or interests, as to any or all depths or zones, and as to any or all substances covered by this lease, either before or after the commencement of production, whenever Lessee deems it necessary or proper to do so in order to prudently develop or operate the leased premises, whether or not similar pooling authority exists with respect to such other lands or interests. The unit formed by such pooling for an oil well which is not a horizontal completion shall not exceed 80 acres plus a maximum acreage tolerance of 10%, and for a gas well or a horizontal completion shall not exceed 640 acres plus a maximum acreage tolerance of 10%; provided that a larger unit may be formed for an oil well or gas well or horizontal completion to conform to any well spacing or density pattern that may be prescribed or permitted by any governmental authority having jurisdiction to do so. For the purpose of the foregoing, the terms "oil well" and "gas well" shall have the meanings prescribed by applicable law or the appropriate governmental authority, or, if no definition is so prescribed, "oil well" means a well with an initial gas-oil ratio of less than 100,000 cubic feet or more per barrel, based on 24-hour production test conducted under normal producing conditions using standard lease separator facilities or equivalent testing equipment; and the term "horizontal completion" means a well in which the horizontal component of the gross completion interval in the reservoir exceeds the facilities or equivalent testing equipment; and the term "horizontal completion" means a well in which the horizontal component of the gross completion interval in the reservoir exceveritical component thereof. In exercising its pooling rights hereunder, Lessee shall file of record a written declaration describing the unit and stating the effective date of pooling. Prod facilities or equivalent testing equipment; and the term "horizontal completion" means a well in which the horizontal component thereof. In exercising its pooling rights hereunder, Lessee shall file of record a written declaration describing the unit and stating the effective date of pooling. Production, drilling or reworking operations anywhere on a unit which includes all or any part of the leased premises, except that the production on which Lessor's royalty is calculated shall be that proportion of the total unit production which the net acreage covered by this lease and included in the unit bars to the total gross acreage in the unit, but only to the extent such proportion of unit production is sold by Lessee. Pooling in one or more instances shall not exhaust Lessee's pooling rights hereunder, and Lessee shall have the recurring right but not the obligation to revise any unit formed hereunder by expansion or contraction or both, either before or after commencement of production, in order to conform to the well spacing or density pattern prescribed or permitted by the governmental authority; having jurisdiction, or to conform to any productive acreage determination made by such governmental authority. In making such a revision, Lessee shall file of record a written declaration describing the revised unit and stating the effective date of revision. To the extent any portion of the leased premises is included in or excluded from the unit by virtue of such revision, the proportion of unit production on which royalties are payable hereunder shall thereafter be adjusted accordingly. In the absence of production in paying equantities of such revision, the proportion of unit production on which royalties are payable hereunder shall not constitute a cross-conveyance of interests.

 7. If Lessor owns less than the full mineral estate in all or any part of the leased premises or lands pooled therewith shall be reduced to the proportion that Lessor's interest in such part of the leased premises bears to the full miner

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- 10. In exploring for, developing, producing and marketing oil, gas and other substances covered hereby on the leased premises or lands pooled or unitized herewith, in primary and/or 10. In exploring for, developing, producing and marketing oil, gas and other substances covered hereby on the leased premises or lands pooled or unitized herewith, in primary and/or enhanced recovery, Lessee shall have the right of ingress and egress along with the right to conduct such operations on the leased premises as may be reasonably necessary for such purposes including but not limited to geophysical operations, the drilling of wells, and the construction and use of roads, canals, pipelines, tanks, water wells, disposal wells, injection wells, pits, electric and telephone lines, power stations, and other facilities deemed necessary by Lessee to discover, produce, store, treat and/or transport production. Lessee may use in such operations, free of cost, any oil, gas, water and/or other substances produced on the leased premises, except water from Lessor's wells or ponds. In exploring, developing, producing or marketing from the leased premises or lands pooled therewith, the ancillary rights granted herein shall apply (a) to the entire leased premises described in Paragraph 1 above, notwithstanding any partial release or other partial termination of this lease; and (b) to any other lands in which Lessor now or hereafter has authority to grant such rights in the vicinity of the leased premises or lands pooled therewith. When requested by Lessee shall bury its pipelines below ordinary plow depth on cultivated lands. No well shall be located less than 200 feet from any house or barn now on the leased premises or other lands used by Lessee hereunder without Lessor's consent and Lessee shall pay for damage caused by its operations to buildings and other improvements now on
- When requested by Lessor in writing, Lessee shall bury its pipelines below ordinary plow depth on cultivated lands. No well shall be located less than 200 feet from any house or barn now on the leased premises or other lands used by Lessee hereunder, without Lessor's consent, and Lessee shall pay for damage caused by its operations to buildings and other improvements now on the leased premises or such other lands, and to commercial timber and growing crops thereon. Lessee shall have the right at any time to remove its fixtures, equipment and materials, including well casing, from the leased premises or such other lands during the term of this lease or within a reasonable time thereafter.

 11. Lessee's obligations under this lease, whether express or implied, shall be subject to all applicable laws, rules, regulations and orders of any governmental authority having jurisdiction including restrictions on the drilling and production of wells, and the price of oil, gas, and other substances covered hereby. When drilling, reworking, production or other operations are prevented or delayed by such laws, rules, regulations or orders, or by inability to obtain necessary permits, equipment, services, material, water, electricity, fuel, access or easments, or by fire, flood, adverse weather conditions, war, sabotage, rebellion, insurrection, riot, strike or labor disputes, or by inability to obtain a satisfactory market for production or failure of purchasers or carriers to take or transport such production, or by any other cause not reasonably within Lessee's control, this lease shall not terminate because of such prevention or delay, and at Lessee's option, the period of such prevention or delay shall be added to the term hereof. Lessee shall not be liable for breach of any express or implied covenants of this lease overing any or all of the substances covered by this lease and covering all or a portion of the land described herein, with the lease becoming effective upon expiration of this lease, Lessor hereby agrees to
- breach or default and Lessee fails to do so.
- 14. For the same consideration recited above, Lessor hereby grants, assigns and conveys unto Lessee, its successors and assigns, a perpetual subsurface well bore easement under and through the leased premises for the placement of well bores (along routes selected by Lessee) from oil or gas wells the surface locations of which are situated on other tracts of land and which are not intended to develop the leased premises or lands pooled therewith and from which Lessor shall have no right to royalty or other benefit. Such subsurface well bore easements shall run

are not intended to develop the leased premises or lands pooled therewith and from which Lessor shall have no right to royalty or other benefit. Such subsurface well bore easements snau run with the land and survive any termination of this lease.

15. Lessor hereby warrants and agrees to defend title conveyed to Lessee hereunder, and agrees that Lessee at Lessee's option may pay and discharge any taxes, mortgages or liens existing, levied or assessed on or against the leased premises. If Lessee exercises such option, Lessee shall be subrogated to the rights of the party to whom payment is made, and, in addition to its other rights, may reimburse itself out of any royalties or shut-in royalties otherwise payable to Lessor hereunder. In the event Lessee is made aware of any claim inconsistent with Lessor's title, Lessee may suspend the payment of royalties and shut-in royalties hereunder, without interest, until Lessee has been furnished satisfactory evidence that such claim has been resolved.

16. Notwithstanding anything contained to the contrary in this lease, Lessee shall not have any rights to use the surface of the leased premises for drilling or other operations.

17. This lease may be executed in counterparts, each of which is deemed an original and all of which only constitute one original.

DISCLAIMER OF REPRESENTATIONS: Lessor acknowledges that oil and gas lease payments, in the form of rental, bonus and royalty, are market sensitive and may vary depending on multiple factors and that this Lease is the product of good faith negotiations. Lessor understands that these lease payments and terms are final and that Lessor entered mit on this lease without duress or undue influence. Lessor recognizes that lease values could go up or down depending on market conditions. Lessor acknowledges that no representations or assurances were made in the negotiation of this lease that Lessor which Lessee has or may negotiate with any other lessors/oil and gas owners.

IN WITNESS WHEREOF, this lease is executed to be effective as of the date first written above, but upon execution shall be binding on the signatory and the signatory's heirs, devisees, executors, administrators, successors and assigns, whether or not this lease has been executed by all parties hereinabove named as Lessor.

SEE EXIBIT "A" ATTACHED HERETO AND MADE A PART HEREOF BY REFERENCE

LESSOR (WHETHER ONE OR MORE)

NAME: Khosrow Sadeghian

TITLE: President

ACKNOWLEDGMENT

STATE OF TEXAS

COUNTY OF Tarrant

This instrument was acknowledged before me on the 28 th day of Octob Kozamesa, Inc.,

2010, by Khosrow Sadeghian, President of

Notary Public, State of: Notary's name (printed):

Notary's commission expires:

BRYAN STACK Stary Public, State of Texa My Commission Expires May 06, 2014

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Exhibit "A"

Attached and made a part of that certain Paid-Up Oil and Gas Lease (No Surface Use) (the "Lease") dated October 28th, 2010, by and between KOZAMESA, INC, as Lessor, and CHESAPEAKE EXPLORATION, L.L.C., as Lessee, covering 2.1094 acres, more or less in Lots 2-7, Block 12-R of the Highland Addition, City of Lake Worth, Tarrant County, Texas.

ADDENDUM

IN THE EVENT ANY OF CONFLICT BETEWEEN THE TERMS OF THIS ADDENDUM AND THE LEASE, THEN THE PROVISIONS OF THIS ADDENDUM SHALL CONTROL AND GOVERN OVER ANYTHING SET FORTH IN THE LEASE TO THE CONTRARY. FOR GOOD AND SUFFICIENT CONSIDERATION, THE ADEQUACY OF WHICH THE LESSOR AND LESSEE HEREBY ACKNOWLEDGE, THE PARTIES AGREES AS FOLLOWS:

- A. <u>ROYALTY PRODUCTION</u>: Notwithstanding anything set forth in the Lease to the contrary, it is expressly agreed that Lessor shall receive a royalty of 25%. It is further understood and agreed between Lessor and Lessee, that, notwithstanding any language herein to the contrary, all oil, gas or other proceeds accruing to the Lessor under this Lease or by state law shall be without the cost of producing, gathering, storing, separating, treating, dehydrating, compressing, transporting, and marketing the oil, gas and other products hereunder to transform the product into marketable form; however, notwithstanding anything contained herein to the contrary, any such costs which result in enhancing the value of the marketable oil, gas or other products to receive a better price may be deducted from Lessor's share of production so long as they are based on Lessee's actual cost of such enhancements. However, in no event shall Lessor receive a price that is less than, or more than, the price received by Lessee.
- B. OIL & GAS ONLY: It is understood and agreed that this Lease covers and includes oil and gas only (including with oil and gas, all constituent elements thereof and all other liquid or liquefiable hydrocarbons and products of every kind or character derived therefrom and produced therewith, including sulphur), and that all minerals other than oil and gas are excepted herefrom and reserved to Lessor. Included among the minerals reserved to Lessor and excluded from this Lease are coal, uranium and lignite.
- C. <u>VERTICAL PUGH</u>: Notwithstanding anything to the contrary, it is agreed that should Lessee exercise his option to pool or combine any portion of the land covered

hereby with other lands, lease or leases as hereinbefore provided, then such operations and production on and in any such pooled unit as herein provided, shall continue this Lease in force and effect during or after the primary term as to that portion of the lands covered by this Lease, included in such unit or units as hereinabove provided, but not as to such portion of said lands covered by this Lease and not included in any such unit. This Lease maybe kept in force and effect as to such remainder in any manner elsewhere provided in this Lease not inconsistent with this paragraph.

- D. <u>HORIZONTAL PUGH</u>: It is understood and agreed that one (1) year after the expiration of the primary term of this Lease, upon the expiration of any extension or renewal, or after cessation of operations as provided herein, whichever occurs last, Lessee shall release all rights lying below the stratigraphic equivalent of one hundred feet (100') below the base of the deepest producing formation in any well drilled on the Leased Premises or on lands with which the Leased Premises has been pooled or unitized.
- E. CONTINUOUS DRILLING: In the event a portion or portions of the Leased Premises is pooled or unitized with other land so as to form a pooled unit or units, operations on, completion of a well upon, or production from such unit or units will not maintain this Lease in force as to that portion of the Leased Premises not included in such unit or units. The Lease may be maintained in force as to any portion of the Leased Premises covered hereby and not included in such unit or units in any manner provided for herein; provided, however, if at the end of the primary term or after the expiration of the primary term, Lessee is then engaged in drilling or reworking operations on the nonunitized portion of the Leased Premises or on acreage pooled therewith, or if Lessee has completed a well as a producer or a dry hole anywhere on the Leased Premises or lands pooled therewith within ninety (90) days prior to the expiration of the primary term, this Lease shall remain in full force and effect as to all non-unitized acreage so long as Lessee commences drilling operations on the non-unitized portion of the Leased Premises or on acreage pooled therewith within ninety (90) days of the completion of such well as a producer or a dry hole and conducts continuous operations thereon with no cessation of longer than ninety (90) days between the completion of drilling or reworking operations on a well and the commencement of such operations for the next succeeding well.
- F. <u>SURFACE DAMAGES</u>: Lessee shall pay for all damage to roads, fences, improvements and growing crops caused by its operations hereunder, and will fill and level all pits and mounds, remove all board roads and board road materials, level and fill all ruts, and restore the surface of the ground to as near its original condition as is reasonably practical within a reasonable period of time after cessation of operations at each well location on the Leased Premises.

G. NO SURFACE USE: Notwithstanding anything to the contrary in the Lease, Lessee shall not enter upon the surface of, cross over, place any structure or building upon or conduct any operations (including but not limited to geophysical/seismic operations) on the Leased Premises – unless Lessor (including his heirs, successors, or assigns), in his sole discretion, shall permit otherwise. Lessee shall only develop the Leased Premises by pooling, as provided in the Lease, or by directional or horizontal drilling commenced from a surface location on other lands. Notwithstanding anything to the contrary in the Lease, Lessee has no right to drill horizontally, vertically, or at an angle under the Leased Premises at any depth that is less than three hundred (300) feet below the surface. Lessee has no right to pipe, transmit, or transport gas under the Leased Premises at any depth that is less than three hundred (300) feet below the surface.

SIGNED FOR IDENTIFICATION:

CHESAPEAKE EXPLORATION, L.L.C.

KOZAMESA, INC

KHOSROW SADEGHIAN

Bryan Stack, Agent for

Chesapeake Exploration, L.L.C.

END OF ADDENDUM

SUZANNE HENDERSON

COUNTY CLERK



100 West Weatherford Fort Worth, TX 76196-0401

PHONE (817) 884-1195

TURNER-YOUNG INVESTMENT C P O BOX 9029 **FT WORTH, TX 76147**

Submitter: TURNER OIL & GAS PROP, INC.

DO NOT DESTROY WARNING - THIS IS PART OF THE OFFICIAL RECORD.

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Filed For Registration:

11/16/2010 3:31 PM

Instrument #:

D210284263

LSE

PGS

\$32.00

Denluca

D210284263

ANY PROVISION WHICH RESTRICTS THE SALE, RENTAL OR USE OF THE DESCRIBED REAL PROPERTY BECAUSE OF COLOR OR RACE IS INVALID AND UNENFORCEABLE UNDER FEDERAL LAW.

Prepared by: VMMASSINGILL